Message Text

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R 240936Z MAY 78 FM AMEMBASSY THE HAGUE TO SECSTATE WASHDC 2690

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FROM SULLIVAN TO ADLER AID/ASIA

E.O. 11652: N/A TAGS: EAID, EFIN, PK

SUBJECT: PAKISTAN CONSORTIUM

- 1. THE IGGI MEETING HAS PROVIDED ME WITH AN OPPORTUNITY TO TALK TO SEVERAL IMPORTANT DELEGATIONS WITH RESPECT TO THE FORTHCOMING PAKISTAN CONSORTIUM MEETING IN PARIS. AS A RESULT OF THESE DISCUSSIONS, THE FOLLOWING POINTS HAVE EMERGED:
- 2. ACCORDING TO THE BRITISH DELEGATE HURRELL, THE BRITISH DELEGATION WILL NOT, REPEAT NOT, BE IN A POSITION TO PLEDGE DEBT FORGIVENESS IN PARIS. THIS IS A CHANGE FROM THE BRITISH POSITION DISCUSSED WITH OTHER DONORS IN PARIS EARLIER THIS MONTH. IT APPEARS THAT THE BRITISH GOVERNMENT'S DECISION ON THIS ISSUE WILL NOT BE MADE UNTIL MID-JUNE, TOO LATE FOR THE PAKISTAN CONSORTIUM MEETING.
- 3. MY DISCUSSIONS WITH THE FRENCH DELEGATE, MADAME CHEYVIALLE, CONFIRMED THAT THE FRENCH POSITION IS SIMILAR TO OURS ON THE QUESTION OF THE INAPPROPRIATENESS OF USING AN AID CONSORTIUM LIMITED OFFICIAL USE

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FOR DEBT DISCUSSION. THE FRENCH HAVE NOT, HOWEVER, ADOPTED THE U.S. VIEW THAT PAKISTAN IS NOT IN DANGER OF IMMINENT DEFAULT. APPARENTLY THE FRENCH ARE CONCERNED LEST THE PAKISTANIS TAKE UNILATERAL ACTION ON THEIR DEBTS. APPARENTLY FRANCE IS OWED US\$30,000,000 BY PAKISTAN THIS YEAR, ALL BUT \$5,000,000 IN COMMERCIAL CREDITS. MADAME CHEYVIALLE FEARS THAT IF WE PRESS FOR A DELAY IN DEBT, THE PAKISTANIS WILL ACT UNILATERALLY.

MADAME CHEYVIALLE HAS SUGGESTED THAT WE MIGHT MEET BEFORE THE WORLD BANK MEETING ON WEDNESDAY, MAY 31, TO COORDINATE OUR POSITIONS. SHE MAY BE IN TOUCH WITH LLOYD JONNES AID/OGCD TO MAKE ARRANGEMENTS. PLEASE NOTIFY HIM.

- 4. THE GERMAN DELEGATE, DR. KLAMSER, IS VERY CONCERNED ABOUT THE U.S. POSITION. HE IS AWARE OF OUR POSITION ON GROSS AID FLOWS, HAS DONE THE ARITHMETIC, AND IS THUS AWARE OF THE POTENTIAL FOR A NET NEGATIVE FLOW.
- 5. THE HEAD OF THE JAPANESE AGENCY, MR. MUTO, WOULD SAY LITTLE ON THE PAKISTAN DEBT ISSUE OTHER THAN TO INDICATE THAT HIS COUNTRY'S POSITION WAS SIMILAR TO OURS ON THE MATTER OF THE DANGER OF PAKISTAN'S IMMINENT DEFAULT.
- 6. THE CANADIAN DELEGATE WANNOP SAID HIS DELEGATION WOULD NOT BE IN A POSITION TO PLEDGE DEBT RELIEF BECAUSE OF 1) DOUBTS ON IMMINENT DEFAULT AND 2) LACK OF RESPONSIVENESS BY PAKISTAN ON ECONOMIC ISSUES. HE INDICATED A WILLINGNESS TO EXPRESS THIS VIEW EARLY IN THE DEBT DISCUSSION IN PARIS.
- 7. COMMENT: I THINK WE MAY HAVE SOMEWHAT MORE SUPPORT FOR OUR POSITION ON PAKISTAN DEBT THAN WE ANTICIPATED EARLIER. IT MAY BE POSSIBLE TO ACT IN CONCERT WITH OTHER DONORS IN A WAY THAT WILL LESSEN OUR IMAGE AS THE VILLAIN OF THIS PIECE. BROWN

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